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International merchandise trade statistics

Report of the Secretary-General

Summary

The present report is submitted to the Statistical Commission in compliance with its decision taken at its thirty-eighth session.** The report elaborates the need for the new revision of the Commission's recommendations for international merchandise trade statistics, outlines the United Nations Statistics Division strategy with respect to the organization of the revision process, describes actions undertaken and provides a summary of its action plan for 2008-2011. Points for discussion by the Commission are contained in paragraph 28 of the present report.

* E/CN.3/2008/1.

** See *Official Records of the Economic and Social Council, 2007, Supplement No. 4* (E/2007/24), chap I.A.

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I. Introduction

1. The Statistical Commission session took note[1] at its thirty-seventh session of the report of the Task Force on International Merchandise Trade Statistics (E/CN.3/2006/25), in which the Task Force had informed the Commission that the United Nations Statistics Division would conduct a comprehensive review of country practices in compilation and reporting of international merchandise trade statistics in order to assess the compliance with the current recommendations, to evaluate the scope of the necessary revisions to the existing recommendations, and to develop an action plan and submit it to the Commission at its thirty-ninth session.

2. The survey of national compilation and dissemination practices in international merchandise trade statistics was conducted in 2006. The country responses confirmed that there was a high degree of compliance with a number of key recommendations. At the same time, it became apparent that some recommendations had to be updated and additional recommendations might be needed.

3. Section II of the report elaborates the need for a further revision of the recommendations in light of various developments relevant to trade statistics and responses of countries to the questionnaire on their practices in compilation and dissemination of those statistics. Section III outlines the United Nations Statistics Division strategy for the organization of the revision process and describes activities undertaken in this direction in 2005-2007. Section IV contains points for discussion by the Commission.

II. Need for a further revision of the Commission's recommendations for international merchandise trade statistics

A. Summary of the main reasons for the proposed revision

4. The current recommendations for international merchandise trade statistics were adopted by the Statistical Commission at its twenty-ninth session in 1997 and published in *International Merchandise Trade Statistics: Concepts and Definitions*.[2] To assist countries in the implementation of these recommendations, the publication entitled *International Merchandise Trade Statistics: Compilers Manual*[3] was prepared and issued by the Statistics Division in 2004. Both publications were promoted by the Statistics Division and other agencies members of the Task Force on International Merchandise Trade Statistics[4] and used in a series of training workshops for trade statisticians of developing and transitional countries.

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[1] See *Official Records of the Economic and Social Council, 2006, Supplement No. 4* (E/2006/24), chap. I.C, decision 37/114.

[2] Studies in Methods, No. 52, Rev.2 (United Nations publication, Sales No. E.98.XVII.16).

[3] United Nations publication, Sales No. E.02.XVII.17.

[4] The Task Force is an inter-agency body and consists of representatives of the following organizations: Department of Economic and Social Affairs of the United Nations Secretariat (Statistics Division, Macroeconomics Division), Economic Commission for Latin America and the Caribbean, Economic and Social Commission for Western Asia, United Nations Conference on Trade and Development, Food and Agriculture Organization of the United Nations, International Monetary Fund, World Trade Organization, International Trade Centre,

5. These efforts helped to harmonize national methodologies and enhance countries' capabilities to compile internationally comparable trade statistics. This contributed to a noticeable improvement in international reporting and availability of trade statistics for users (see room document entitled "Availability of international merchandise trade statistics: UN Comtrade from 1996 to 2006" (ESA-STAT-AC-137-8). However, with time it became apparent that the next cycle of review and updating of the recommendations was needed.

6. The third revision of recommendations for international merchandise trade statistics (*International Merchandise Trade Statistics*, Rev.3) has become necessary, inter alia, in view of:

(a) Changes in the way international merchandise trade is conducted, as reflected, for example, in increasing globalization of the production and distribution processes, expansion of intra-firm trade, transactions with bundled goods and services components;

(b) Changes in the legal environment such as adoption by the Council of the World Customs Organization of the Revised Kyoto Convention (International Convention on the Simplification and Harmonization of Customs Procedures (as amended)) and new legal/administrative measures for increased security or further simplification of customs formalities;

(c) Changes in related statistical frameworks, in particular the *1993 System of National Accounts*[5] and the *Balance of Payments Manual*;

(d) Changes in user needs, including increased demand for more detailed and timely data for market access negotiations, trade policy purposes, market research by the business community and economic analysis (for example, linking industry and trade data);

(e) Need for further clarification of some existing concepts and improvement of the overall readability.

7. The need for a new revision was discussed by the Task Force on International Merchandise Trade Statistics which supported the Statistics Division initiative to begin the revision process and agreed to actively participate in it.

B. Main areas for revision and updating

8. To obtain the necessary input for the revision process, a survey of country practices in compilation and dissemination of trade statistics was conducted in 2006. A detailed questionnaire was prepared by the United Nations Statistics Division, reviewed by other members of the Task Force and sent out jointly by the Statistics Division, the Organization for Economic Cooperation and Development (OECD) and the World Trade Organization to countries in June 2006. The main purpose of the questionnaire was to take stock of the countries' compliance with the recommendations contained in revision 2 of *International Merchandise Trade Statistics* and the compilation guidelines outlined in the *Compilers Manual*.

Organization for Economic Cooperation and Development, Statistical Office of the European Communities and World Customs Organization.

[5] United Nations publication, Sales No. E.94.XVII.4.

9. The detailed report on the survey results will be made available on the United Nations Statistics Division website by the end of 2007. Selected areas where the current recommendations might need a revision and updating in view of the country responses are described below.

10. *General definition of coverage*. The survey revealed, inter alia, that countries overwhelmingly base their trade statistics on the principle of the physical movement of goods that add to or subtract from the stock of material resources of countries, as recommended. The change-of-ownership criterion is used only for certain categories of goods, mostly when customs records of cross-border movement of goods are not available. The responses indicated that different practices are followed by countries in this respect. In view of the importance of the change of ownership for the balance-of-payments statistics and national accounts, a more systematic review of the range of cases where the change-of-ownership criterion might be applied has to be undertaken and the relevant recommendations should be updated.

11. *Goods for processing*. Goods for processing are recommended for inclusion in trade statistics and 83.5 per cent of countries comply with this recommendation. Most countries also confirmed that they can separately identify a subset of these goods — goods declared for the inward and outward processing procedures. However, countries' ability to record separately other kinds of goods for processing needs to be studied further, especially taking into account the future requirement of excluding all goods for processing where no change of ownership takes place from the goods part of the balance of payments. In this context, additional recommendations to separately identify other categories of goods for processing might be needed.

12. *Goods crossing borders as a result of transactions between parent corporations and their direct investment enterprises (affiliates/branches)*. All developed countries follow the recommendation to include this category of goods in their trade statistics. For developing countries, it proved to be a more difficult task, as 18 per cent of them reported their non-compliance. It follows that the relevant recommendations might need some updating in order to improve the situation. This issue merits special attention in view of the intensifying globalization of the world economy and concerns with respect to accuracy of valuation of such flows.

13. *Trade system*. The survey revealed that the use of the recommended general trade system is difficult for many countries, especially for those that abolished customs controls at their borders. Recognizing that statistics compiled on the basis of the general trade system are essential not only for tracing international movements of goods, but also for compilation of the balance of payments and national accounts, the recommendation on trade systems has to be reviewed. For example, the updated recommendation might include reference to use of the non-customs sources so as to ensure better capturing of goods not entering customs territory. The boundary of the statistical territory that defines the general system of trade needs to be clarified as well (for example, by listing the territorial elements that have to be covered by countries that are applying this system as well as by indicating which territorial elements may not be covered).

14. *Valuation*. Country responses to the questions on valuation confirm that the recommendation to use the cost, insurance and freight (CIF)-type valuation for imported goods and the free on board (FOB)-type valuation for exported goods is very well implemented (93.4 per cent of respondents use the CIF-type valuation for

imported goods and 96.7 per cent use the FOB-type valuation for exported goods). It is very encouraging that the recommendation to compile data on international freight and insurance is being followed by 40.5 per cent of countries, while 10 years ago only 29.7 per cent of countries were compiling such data. In addition, a number of countries confirmed that they compile and publish the FOB-type valued imports data.

15. The experience of countries able to compile the FOB-valued imports is of great interest as such data are needed for various types of economic analysis as well as for the reconciliation of international merchandise trade statistics with the balance-of-payments statistics and statistics on international trade in services. In this context, additional recommendations might be needed to improve the availability of data needed for the compilation the FOB-type valued imports data, at least at the aggregated level.

16. *Partner country*. The recommendation of Revision 2 of *International Merchandise Trade Statistics* on partner-country attributions are well followed, with 90.9 per cent of countries compiling the country of origin for imports and 91.7 per cent compiling the country of last known destination for exports. It should be noted, however, that in the determination of country of origin, the provisions of the Kyoto Convention are followed by 81.5 per cent of developed countries and by only 59.5 per cent of developing countries. This raises the question of whether the revised recommendations should address the issue of partner attribution in more detail in addition to the promotion of the revised version of the Convention. The recommendation to use the country of last known destination for exports should also be reviewed in order to assess whether it can be made more operational.

17. The use of the country of consignment as an additional partner attribution was reported by 46.3 per cent of countries for imports and by only 19.8 per cent for exports. As availability of this kind of partner data is essential for various kinds of economic analysis and for trade statistics reconciliation studies, the current recommendation on the use of the country of consignment might be strengthened.

18. *Sources of data and data compilation strategies*. The survey of country practices confirmed that, for most countries, customs declarations remain the main source of data. This is especially pertinent for developing countries, as 97.9 per cent of them confirmed this to be the case. However, over the last decade, developed countries were supplementing customs declarations with other sources of data more and more. For example, 59.3 per cent of developed countries use administrative records associated with taxation and 51.9 per cent of them use enterprise surveys. For other countries, the corresponding proportions are only 21.3 per cent and 19.1 per cent, respectively.

19. The trend towards a more active use of the non-customs sources should be carefully examined in order to see whether appropriate international recommendations are needed to ensure the best possible data comparability and promotion of good practices. In this context, some additional recommendations on inter-agency cooperation might be appropriate as well.

20. *Data quality and metadata*. Data quality, as well as the compilation and dissemination of metadata, was not sufficiently covered in Revision 2 of *International Merchandise Trade Statistics*. In the view of the United Nations Statistics Division, this area needs more attention in the revised version of the

recommendations. Such topics as indicators of quality, content and structure of metadata have to be discussed to determine what kind of guidance might be needed, taking into account recommendations on these topics approved by the Commission with respect to other areas of statistics.

21. *Dissemination policies*. Revision 2 of *International Merchandise Trade Statistics* has a separate chapter (VII) providing recommendations on several aspects of dissemination, which are implemented by a majority of countries. Timeliness of trade data, in most cases, is well within guidelines for economic statistics (for example, monthly trade data become available within 43 days in 77 per cent of countries that responded to the questionnaire and annual data become available within seven months in 81.7 per cent of countries that responded). Building on already accumulated good practices, the revised recommendations might be made more concrete and better harmonized with similar recommendations in other areas of statistics. Special attention should be paid to drafting some additional recommendations on the dissemination of metadata and international reporting.

III. Strategy of the Statistics Division for the organization of the revision process

22. In 2007, the Statistics Division developed a multi-year strategy for updating the Commission's recommendations on international merchandise trade statistics. This strategy includes:

(a) Obtaining an initial assessment of the general situation in trade statistics by conducting an overview of current country practices;

(b) Establishing an Expert Group on International Merchandise Trade Statistics to assist in the updating process (see annex for the terms of reference);

(c) Preparing the provisional draft of the revised recommendations and submitting it to the Statistical Commission for consideration and adoption at its forty-first session in March 2010;

(d) Preparing of an updated manual on the compilation of international merchandise trade statistics by 2011;

(e) Further developing UN Comtrade (United Nations Commodity Trade Statistics Database) to ensure that it will be able to store, process and disseminate international merchandise trade statistics compiled in accordance with the revised recommendations (2011);

(f) Commencing technical assistance activities for developing countries, including conducting training workshops to build up their capability to compile and disseminate international merchandise trade statistics in compliance with the revised recommendations.

23. Some elements of this strategy are already implemented. As described above, a survey of country practices was conducted. To ensure active country involvement in the revision process and to obtain their endorsement of the future draft *Recommendations for International Merchandise Trade Statistics, Revision 3*, the United Nations Statistics Division established the United Nations Expert Group on International Merchandise Trade Statistics. The first meeting of the Expert Group is

scheduled to be held from 3 to 6 December 2007 in New York. A number of international organizations active in production and/or use of international merchandise trade statistics are also invited to participate in the work of the Expert Group and to provide their comments and suggestions. The main task of the first meeting of the Expert Group will be to identify areas where revised or new recommendations are needed and establish a list of issues for a worldwide consultation and to provide guidance on the scope and content of the future recommendations.

24. Based on the conclusions of the Expert Group and taking into account comments and suggestions of the Task Force, the Statistics Division will prepare a list of issues for the first round of worldwide consultations and will conduct the round in May-June 2008. During July-October 2008, the Statistics Division will prepare a report summarizing results of the consultation and in November 2008 will organize a virtual session of the Expert Group to assess how to incorporate those results into the first version of the provisional draft of Revision 3 of the *Recommendations*. Both the summary report on the worldwide consultation and the report of the virtual Expert Group meeting will be made available to the Task Force for comments.

25. By the end of March 2009, the Statistics Division will have prepared the first version of the provisional draft of Revision 3 of the *Recommendations* and will organize a worldwide consultation thereon during April-May 2009. The Statistics Division will prepare a report summarizing the results of the consultation and will make it available to both the Expert Group and the Task Force. Using the received comments and suggestions, the Statistics Division will then prepare a second version of the provisional draft (August 2009) and will submit it to the Expert Group at its second meeting for review and endorsement. The second Expert Group meeting is tentatively scheduled for September/October 2009. After incorporation of the comments of the Expert Group and the Task Force, the Statistics Division will submit the final draft of Revision 3 of the *Recommendations* to the Statistical Commission for consideration and adoption (December 2009).

26. If adopted by the Commission, the original English version of Revision 3 of the *Recommendations* will be made available on the Statistics Division website and countries will be notified accordingly. Subsequently, Revision 3 will be published in all official United Nations languages.

27. Beginning in the second half of 2010, the Statistics Division will commence its technical assistance activities to help countries in the implementation of Revision 3 of the *Recommendations*. This programme will include the development of training materials and preparation of the updated version of *International Merchandise Trade Statistics: Compilers Manual*.

IV. Points for discussion

28. **The Statistical Commission may wish:**

(a) To endorse the United Nations Statistics Division initiative to revise the existing recommendations for international merchandise trade statistics and to request that the draft revised recommendations be submitted to the Commission for adoption at its forty-first session in 2010;

(b) To advise the Statistics Division that the draft revised recommendations should provide an updated conceptual framework of international merchandise trade statistics and necessary guidance on data compilation and data dissemination in the context of an integrated approach to economic statistics.

Annex

Terms of reference of the United Nations Expert Group on International Merchandise Trade Statistics

1. The United Nations Expert Group on International Merchandise Trade Statistics has been established to:

(a) Ensure active country involvement in the revision of the recommendations for international merchandise trade statistics;

(b) Review and endorse the draft revised recommendations;

(c) Provide guidance on the implementation of the revised recommendations after their adoption by the Statistical Commission.

2. The United Nations Expert Group on International Merchandise Trade Statistics will be convened by the United Nations Statistics Division.

3. The United Nations Statistics Division, in its capacity as the convener of the United Nations Expert Group on International Merchandise Trade Statistics, will submit to the Statistical Commission periodic progress reports on the revision process and the implementation of the revised recommendations.